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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)

Joint Petition for Agreement with Designation
of Rural Company Eligible)

CC Docket No. 96-45
DA 98-1691

Telecommunications Carrier Service Areas)
at the Exchange Level Filed by Washington)
Utilities and Transportation Commission,)
Asotin Telephone Company, Century Tel)
of Cowiche, Ellensburg Telephone Company,)
Century Tel of Washington, Hat Island)
Telephone Company, Hood Canal Telephone)
Co., Inc., Inland Telephone Company, Kalama)
Telephone Company, Lewis River Telephone)
Company, Mashell Telecom, Inc., McDaniel)
Telephone Company, Pend Oreille Telephone)
Company, Pioneer Telephone Company, St.)
John Co-operative Telephone and Telegraph)
Company, Tenino Telephone Company, The)
Toledo Telephone Co., Inc., United Telephone)
Company of the Northwest, Western)
Wahkiakum County Telephone Company,)
Whidbey Telephone Company, and)
Yelm Telephone Company)

COMMENTS OF GTE

Dated: September 14, 1998

GTE Service Corporation and its affiliated
domestic telephone operating, wireless and
long distance companies

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Company of the Northwest, Western)	
Wahkiakum County Telephone Company,)	
Whidbey Telephone Company, and)	
Yelm Telephone Company)	

COMMENTS OF GTE

GTE Service Corporation and its affiliated domestic telephone operating, wireless and long distance companies¹ (collectively, "GTE") respectfully submit comments in

¹ These comments are filed on behalf of GTE's affiliated domestic telephone operating companies, GTE Wireless Incorporated, and GTE Communications Corporation, Long Distance Division. GTE's domestic telephone operating companies are: GTE Alaska Incorporated, GTE Arkansas Incorporated, GTE California Incorporated, GTE Florida Incorporated, GTE Hawaiian Telephone Company Incorporated, The Micronesian Telecommunications Corporation, GTE Midwest Incorporated, GTE North Incorporated, GTE Northwest Incorporated, GTE South Incorporated, GTE Southwest Incorporated, Contel of Minnesota, Inc., and Contel of the South, Inc.

response to the Public Notice² ("Notice") seeking comment on the petition filed by the Washington Utilities and Transportation Commission ("WUTC") and others (collectively "Petitioners"). Petitioners seek the Commission's agreement with the designation of rural company eligible telecommunications carrier service areas at the exchange level and approval of the use of disaggregation of study areas for the purpose of distributing portable federal universal service support.³

INTRODUCTION AND SUMMARY

Pursuant to section 54.207, Petitioners seek to change the definition for Washington's rural carriers' service areas from "study area" to "exchange" contingent upon the Commission's agreeing to adopt the Petitioners' proposed plan to disaggregate portable federal universal service support with an exchange.

GTE agrees that the objective of the Petition, which is to better target federal universal service support, is reasonable. GTE does not object, in principle, to the proposed change in service area for rural carriers. However, GTE cannot support the Petition, as filed, unless it is amended to include GTE Northwest's Contel Washington study area as "rural" pursuant to Section 3(37)(C) of the Telecommunications Act of 1996, 47 U.S.C. §153(37). Additionally, GTE suggests that the Commission adopt a simpler and more effective alternative to the method proposed in the Petition for defining zones within each wire center serving area. In this regard, GTE certainly is willing to work with the Petitioners to refine their proposal. Finally, if, as the Petition

² DA 98-1691 (released August 24, 1998).

³ GTE's comments herein in no manner prejudice its positions set forth in its appeal of the Commission's universal service order. See *Texas Office of Public Utility Counsel v. F.C.C.*, No. 97-60421 (5th Cir.) ("*Texas Ofc. Of Pub. Util. Counsel*").

suggests, the Commission allows other states to experiment with modifications to its transitional universal service support for rural areas, it should set forth reasonable guidelines for any such experimentation.

GTE believes that the Petitioners' proposed plan to disaggregate existing federal universal service support within an exchange is consistent with the goals of the Act. Yet both the Commission and the WUTC should remain cognizant that the proposal, even as modified by GTE, does not resolve universal service issues in the state of Washington, even for rural areas.

I. THE PETITION IS INACCURATE AND INCOMPLETE BECAUSE GTE NORTHWEST'S CONTEL WASHINGTON STUDY AREA MEETS THE DEFINITION OF "RURAL" BUT WAS OMITTED.

In its order in UT-970333-54, 56, dated December 23, 1997,⁴ the WUTC granted petitions for designation as Eligible Telecommunications Carriers ("ETC"). It further ordered that the service areas of each non-rural company (including GTE's two study areas – one of which is "rural" in accordance with the Act's definition) would be designated at the exchange level. Unlike their non-rural counterparts, rural telephone companies' service areas were designated to be each company's study area through December 31, 1998, after which each rural company's exchange would be designated individually as a separate service area.

On April 30, 1998, in compliance with Public Notice DA 97-1784, GTE certified twenty-six of its fifty-four study areas as "rural", as defined pursuant to section 3(37).⁵ Among the list of twenty-six rural study areas was GTE Northwest's Contel Washington

⁴ Petitioners' Appendix A at 17.

⁵ GTE's certification letter is attached as Exhibit 1.

study area (NECA Code 522449) which qualifies as "rural" pursuant to section 3(37)(C) of the Act, 47 U.S.C. §153(37).

Pursuant to 47 C.F.R. § 54.207, Petitioners now seek the Commission's agreement with the WUTC's service area designations for rural carriers which differ from the "study areas" of those companies designated as eligible telecommunications carriers (ETC) under the Act.⁶

Initially, the Petition is incomplete and inaccurate because GTE Northwest's Contel Washington study area was excluded from the proposal to modify the service area definition for rural carriers from "study area" to "exchange." While GTE does not object to the proposed change in service area definition for rural areas, the Commission must not approve the Petition until it is corrected for this omission. The definition of a "rural" area for purposes of the Federal plan is defined in the Act, and by Commission rules. Even though GTE believes that it would be desirable to have consistent definitions, each state commission may adopt a different definition for the purposes of its state universal service mechanism. State commissions may also seek to define the "service area" for which a rural carrier may be designated an ETC, as the WUTC does in the instant Petition. However, state commissions may not unilaterally alter the definition of "rural" which governs the calculation of support under the federal plan. Therefore, the Petition may not be used as a vehicle for effecting such an alteration, nor could approval of the Petition affect the amount of support which the federal plan would

⁶ GTE notes that the rural companies' acceptance of the WUTC's change in service area definition is conditional upon the Commission's agreement to adopt both the exchange level service area definition and the proposed plan to disaggregate portable federal universal service support within an exchange.

provide to the GTE Northwest's Contel Washington study area as a whole. If the proposed disaggregation is beneficial, as the Petitioners suggest, then such disaggregation must be of benefit in the GTE Northwest Contel Washington study area as well, and must be extended to that area.

II. GTE SUPPORTS REASONABLE TARGETING OF UNIVERSAL SERVICE SUPPORT.

GTE has consistently maintained that universal service obligations, and commensurate support, should be defined for small geographic areas. GTE has criticized the current high cost funding mechanism because (among other reasons) support is based on the average cost for an entire study area. The proposal advanced in the Petition, which would disaggregate rural study areas according to their cost characteristics, would represent an incremental improvement over the current approach. However, the determination of per-line support for each study area as a whole, which the Commission has already decided to freeze for three years, would remain unaffected. Thus, the proposal does not remedy the more general deficiencies of the current universal service calculation calculation, including identifying and removing support implicit in interstate access charges today.

In order for portable support in rural areas to take effect, the WUTC must formally make a determination that designating additional ETCs in rural areas is in the public interest.⁷ The Petition expresses concern that existing universal service support, if averaged over the entire study area, could encourage inefficient entry into low cost zones within the study area, while discouraging potentially efficient entry into higher cost

⁷ Section 214 (e)(2).

portions of the study area. However, while the deaveraging of the current level of federal universal service support may lead to an incremental improvement in the price signals potential entrants would face, most of the distortions in the current system would remain.⁸ In order to successfully foster competition in rural areas, and meet the public interest standard in Section 214(e)(2), the WUTC and the Commission would have to address these distortions through a combination of rate rebalancing and state and federal universal service support which, taken together, is sufficient. In other words, GTE does not believe that this proposal fully resolves the universal service issues in the state of Washington, even for rural areas.

IV. THE DISAGGREGATION PROPOSED IN THE PETITION COULD BE IMPROVED.

The Petition proposes that CBGs within each wire center be grouped into two zones, A and B, to reflect lower and higher costs portions of the wire center serving area. GTE agrees that dividing a wire center into zones could help to target universal service support more accurately. However, GTE suggests that an alternative approach might be simpler and more accurate than the method proposed in the Petition.

GTE proposes that each wire center serving area should be divided into a central, or base area close to the central office, and an outer area comprising the rest of the wire center serving area. This central zone could be defined as a radius from the

⁸ While the WUTC may address the level of intrastate rates including intrastate access charges, only this Commission can address the level of interstate access charges which is directly related to the amount of implicit support provided to local rates today that must be made explicit through a federal universal service support mechanism designed for rural carriers.

central office, or as a collection of grid squares⁹ surrounding the central office location. For example, the block of sixteen grid squares around the central office location (a four-by-four square) would capture the effects of both distance and density, compared to locations farther away from the central office. Further, the size of this square would also roughly correspond to the area that can be served without employing pair gain devices in the feeder plant.

GTE's modification to grid square results is simple to implement and can be achieved using the output of the model already being used by the Petitioners. While CBGs vary in shape that may not directly correspond to differences in costs in any given area, the alternative use of "grid squares" does provide clearly defined areas that are not dependent upon the use of a proxy cost model.

If, as Petitioners suggest (at 13), the Commission should allow other states to experiment with modifications to its transitional universal service support for rural areas, reasonable guidelines should be established. GTE recommends that the Commission ensure that the same total amount of federal support continue until such time as an alternative universal service support mechanism for rural carriers is adopted and that the definition of service area not be arbitrarily changed absent Commission approval of a section 54.207 application.

V. CONCLUSION

While GTE generally supports the disaggregation of universal service obligations to at least the exchange level, Petitioners' request for waiver to disaggregate study

⁹ A grid square is approximately two-fifths of a square mile or 1/100th of a degree latitude by 1/100th of a degree longitude.

areas for the purpose of distributing existing federal universal service support is not acceptable, unless GTE Northwest's Contel Washington rural exchanges are also included. Even then, Petitioners and this Commission will not have completely addressed the issues of comprehensive universal service reform for rural carriers.

The WUTC has made the determination that GTE is "non-rural," defined its service area at the exchange level, and treated GTE as "non-rural" for state universal service purposes. GTE urges the WUTC to comply with section 54.207 requirements and submit a petition to the Commission seeking agreement to change the service area definition of GTE Northwest's Contel Washington study area from "study area" to "exchange."

GTE is also willing to work with the Petitioners to refine their proposal.

Dated: September 14, 1998

Respectfully submitted,

GTE Service Corporation and its affiliated
domestic telephone operating, wireless and
long distance companies

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EXHIBIT 1



GTE Service Corporation

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202 463-5200
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April 30, 1998

Ms. Sheryl Todd
Universal Service Branch
Accounting & Audits Division
Federal Communications Division
2100 M Street, N.W., 8th Floor
Washington, D.C. 20554

**Re: GTE Certification of Rural Company Status for Purposes of Determining
Universal Service Support - CC Docket 96-45**

Dear Ms. Todd;

Pursuant to FCC Public Notice DA 97 1784, released September 22, 1997, GTE Service Corporation, on behalf of its affiliated domestic telephone operating companies, hereby certifies twenty-six of its study areas as "rural companies" as defined pursuant to section 3(37) of the Communications Act of 1996, as amended [47 U.S.C. § 153(37)]. Attached are certification statements and supporting documentation explaining how each study area meets at least one of the four criteria provided by the statutory definition for purposes of determining federal universal service support.

This attestation reflects the current status of GTE's study areas. To date, no state commission has petitioned the FCC to change the designated "service area" for these companies, currently defined for rural companies as its "study area", for purposes of obtaining federal universal service support as required pursuant to 47 C.F.R. , §54.207.

In accordance with the procedure set forth in the Public Notice, GTE anticipates Commission acknowledgment of the receipt of these certifications by June 30, 1998.

If there are any questions regarding these certifications, please contact me at (202) 463-5293.

Sincerely,

W. Scott Randolph
Director - Regulatory Matters

Attachments

Self- Certification as a Rural Telephone Company

<u>Study Area</u>	<u>NECA Code</u>	<u>State</u>	<u>Loops</u>	<u>Criteria Sec 3(37)</u>
GTE Alaska, Inc	613009	Alaska	23,052	B, C
Contel of California - Arizona	452302	Arizona	8,392	B, C
Contel of Arkansas - Systems of Arkansas	401790	Arkansas	22,029	C
GTE Southwest - Arkansas	402080	Arkansas	85,768	C
GTE Northwest - West Coast California	542344	California	14,156	C
GTE Northwest - Idaho	472416	Idaho	N/A	D
GTE South, Inc. - Alltel Illinois	343035	Illinois	44,148	C
GTE Systems of the South - Alltel Indiana	323034	Indiana	10,575	C
GTE Midwest - Iowa	351186	Iowa	N/A	D
GTE Iowa - Contel	351207	Iowa	84,782	C
GTE Systems of Iowa - Contel	351790	Iowa	79,424	C
GTE Kentucky - Contel	260410	Kentucky	94,821	C
GTE Systems of the South - Alltel Michigan	313033	Michigan	52,502	C
Micronesia Telephone Company	653700	Micronesia	20,990	B, C
GTE Minnesota - GTE Study Area	361186	Minnesota	4,139	C
GTE of Eastern Missouri - Contel	421789	Missouri	4,439	C
GTE Systems of Missouri - Contel	421846	Missouri	57,938	C
GTE Midwest - Nebraska	371186	Nebraska	62,963	C
Contel of California - Nevada	552302	Nevada	34,745	B, C
GTE Southwest - New Mexico	492080	New Mexico	47,757	C
GTE Southwest - New Mexico - Contel	492177	New Mexico	44,992	C
GTE Pennsylvania - Contel	170170	Pennsylvania	67,225	C
GTE Pennsylvania - Quaker State - Contel	170201	Pennsylvania	43,411	C
GTE South Carolina - Contel	240526	South Carolina	23,255	C
GTE South - Virginia	190479	Virginia	36,835	C
GTE Northwest - Washington - Contel	522449	Washington	89,505	C

**SELF-CERTIFICATION AS A RURAL TELEPHONE COMPANY
AS REQUIRED BY FCC PUBLIC NOTICE DA 97 1784, RELEASED
SEPTEMBER 22, 1997**

I hereby certify that GTE Northwest, Inc. is a Rural
(Study Area Legal Name)

Telephone Company pursuant to section 3(37) of the Communications Act, as amended [47 U.S.C. § 153(37)], as indicated below.

CERTIFICATION CRITERIA:

GTE NW – Washington - Contel is a local exchange carrier operating entity that:
(Study Area Business Name or Company Name)

- ☐ Provides common carrier service to any local exchange carrier study area that does not include either:
- (i) any incorporated place of 10,000 inhabitants or more, or any part thereof, based on the most recently available population statistics of the Bureau of the Census; or
 - (ii) any territory, incorporated or unincorporated, included in an urban area, as defined by the Bureau of the Census as of August 10, 1993;
- ☐ Provides telephone exchange service, including exchange access, to fewer than 50,000 access lines;
- ☒ Provides telephone exchange service to any local exchange carrier study area fewer than 100,000 access lines (See Attachment I); or
- ☐ Has less than 15 percent of its access lines in communities of more than 50,000 on the date of enactment of the Telecommunications Act of 1996 (Feb. 8, 1996).

I have attached a copy of information supporting the definition(s) for Rural Telephone Company check-marked above.

Certified by: 

Date: April 28, 1998

Name: Richard C. Lavery

Title: Director – Universal Service Implementation & Administration

GTE Network Services
Study Areas Qualifying as Rural
Apr-98

Attachment I

<u>State</u>	<u>Study Area (SA) Name</u>	<u>NECA SA Code</u>	<u>Total Loops @ 12/31/97</u>	<u>1996 Communications Act Sec. 3(37) Condition Met</u>
Washington	GTE Northwest - Washington - Contel	522449	89,505	Section 3(37) (C)

Pursuant to section 3(37) of Communications Act "rural telephone company" meets one of the following:

- (A) Provides service to any study area that does not include an unincorporated area of 10,000 residents or more, or does not include any territory defined as urban by the Census Bureau;**
- (B) Provides service to fewer than 50,000 access lines;**
- (C) Provides service to a study area with fewer than 100,000 access lines, or;**
- (D) Has less than 15% of its lines in communities of more than 50,000 on the date of enactment .**

Certificate of Service

I, Ann D. Berkowitz, hereby certify that copies of the foregoing "Comments of GTE" have been mailed by first class United States mail, postage prepaid, on September 14, 1998 to the following parties of record:

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